



House of Commons  
Foreign Affairs Committee

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# **Sovereignty for sale: follow-up to the acquisition of Newport Wafer Fab**

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**Sixth Report of Session 2021–22**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 29 March 2022*

## Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign, Commonwealth and Development Office and its associated public bodies.

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## Summary

On 5 July 2021, the UK's largest semiconductor manufacturer, Newport Wafer Fab (NWF), announced that it had been acquired by Nexperia. Nexperia is 100% owned by Wingtech, a Shanghai-listed company understood to be backed by the Chinese Communist Party (CCP). This acquisition followed a board takeover earlier in 2021, in which Nexperia installed two of its staff on the NWF board in a move that had raised concerns about a potential hostile takeover.

The Secretary of State for Business, Energy and Industrial Strategy initially declined our request for the Government to intervene in the attempted board takeover, and the Government did not express any intention of calling in the acquisition of NWF for review when it was announced.

During a Liaison Committee evidence session on 7 July 2021, the Chair of the Foreign Affairs Committee, Tom Tugendhat MP, asked the Prime Minister why the Government had declined to review the acquisition of NWF. In response, the Prime Minister informed the Committee that the Government would take another look at it and that he had asked the National Security Adviser (NSA), Sir Stephen Lovegrove, to investigate the deal.

We wrote to the NSA on 8 December 2021 to request an update on the progress of the review and to ask when the outcome would be published. The NSA's response did not provide any clarification and stated that it would be inappropriate to comment further, citing national security considerations. The Committee followed this letter with a repeated request for information that would not raise security concerns, such as the timelines of the review. In particular, the Committee requested assurances that the review had indeed taken place in accordance with the Prime Minister's statement.

Following a further round of correspondence—in which the NSA declined to provide any further information on the status of the review, and in the absence of any further evidence that the review has been conducted—we have no choice but to assume that the NSA review that the Prime Minister said he had initiated has not, in fact, been started.

In its response to this report, we ask that the Government set out the circumstances in which the National Security Adviser is engaged in reviews under the National Security and Investment or Enterprise Acts; the reasons why the Prime Minister asked the NSA to undertake a review of NWF; why the NSA did not undertake such a review; and for an update on the nature of the continued monitoring by the Investment Security Unit. Given the importance of the semiconductor industry to the UK's national security and broader global interests, in a context of a global semiconductor shortage and the explicit ambitions of the CCP to achieve semiconductor self-sufficiency through foreign investment, we are extremely concerned about the Government's apparent lack of appetite to use the powers at its disposal to protect British companies in this industry.

# 1 Introduction: previous work on foreign investment and implications for UK national security

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1. In April 2020, we launched an inquiry into the role of the Foreign, Commonwealth and Development Office (FCDO) in blocking foreign asset stripping in the UK. The purpose of this inquiry was to understand what role the FCDO is, and should be, playing in identifying and mitigating the risks of hostile foreign investment to the UK's security and broader interests. As part of this inquiry, we examined the long-awaited National Security and Investment (NSI) Bill, which received Royal Assent on 29 April 2021 and came into force on 4 January 2022. The Act expands the Government's powers to identify and intervene in foreign investments that may present national security concerns, while continuing to allow and support inward foreign investment to the UK.<sup>1</sup>

2. In January 2021, we published an interim report, *Striking the balance: protecting national security through foreign investment legislation*,<sup>2</sup> which outlined our recommendations for how the NSI Bill might be improved to ensure that it was fit for purpose. In July 2021, we published the second and final report in this inquiry, *Sovereignty for sale: The FCDO's role in protecting strategic British assets*, in which we recommended how the FCDO should contribute to the successful implementation of the NSI Act. Moreover, we examined the ways in which certain foreign investments might pose a national security risk to the UK. **Specifically, we highlighted the possible risks associated with the acquisition of Newport Wafer Fab by Nexperia and called for Government intervention.**

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1 The National Security and Investment Bill was introduced by the Government in November 2020, described as an improved tool for fighting state threats and strengthening UK security, while continuing to attract inward investment. The NSI Act received royal assent on 29 April 2021. [Correspondence with RT Hon Kwasi Kwarteng, 24 May 2021](#); [National Security and Investment Act 2021](#)

2 Third report of session 2021–2022, *Sovereignty for sale: the FCDO's role in protecting strategic British assets*, 6 July 2021. [HC 197](#)

**Box 1: Overview of Newport Wafer Fab and Nexperia**

On 5 July 2021, it was announced that the UK's largest semiconductor manufacturer, Newport Wafer Fab, was to be acquired by Nexperia. Nexperia is ultimately owned by Wingtech, a Shanghai-listed company reportedly backed by the Chinese Communist Party (CCP). The deal was valued at £63 million. This followed what we had feared to be a stealth board takeover by Nexperia earlier in the year, which we had raised with the Secretary of State for Business, Energy and Industrial Strategy.

**Newport Wafer Fab (NWF)** specialises in the fabrication of high-end silicon semiconductor chips and in manufacturing silicon chips for power conversion. NWF is part of the South Wales Compound Semiconductor Catapult and Cluster, which has received significant financial support from both the national and Welsh Governments, such as UKRI funding in February 2021 to support the development of advanced components for long-range electric vehicles.<sup>3</sup>

**Nexperia** is headquartered in the Netherlands. It is 100% owned by Wingtech Technologies, a Shanghai-listed manufacturing company that assembles smartphones and other consumer electronics. According to Chinese investment screening specialists Datenna, Wingtech is heavily backed by the CCP. Wingtech Chair Zang Xuezheng assumed the role of Nexperia CEO in March 2020.

Nexperia was previously owned by Wise Road Capital, a CCP-backed private equity fund, whose acquisition of Magnachip Semiconductor was the subject of a recent review by the Committee on Foreign Investment in the US (CFIUS). CFIUS has challenged that acquisition as well as Wise Road Capital's attempts to reduce its US presence to remove CFIUS jurisdiction.

Source: [HC 197](#)

3. Given the importance of semiconductors to the UK's national security, we identified the acquisition of the UK's largest semiconductor manufacturer by a company backed by the Chinese Communist Party (CCP) as a cause for concern; even more so in the context of global semiconductor shortages. We argued that it is crucial that the Government gets the new investment screening regime right from the beginning—both to ensure that our national security is protected and that we remain firmly open to valuable foreign investment.<sup>4</sup>

3 <https://www.southwalesargus.co.uk/news/19073566.newport-firms-develop-parts-longer-range-electric-vehicles/>

4 Tenth special report of session 2019–21, *Striking the balance: Protecting national security through foreign investment legislation: Government Response to the Committee's Sixth Report*, 23 February 2021, [HC 1263](#)

## 2 The Government's response to the acquisition of Newport Wafer Fab by Nexperia

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4. On 8 March 2021, Chinese-owned semiconductor company Nexperia installed two of its directors on the board of NWF.<sup>5</sup> At the time, we raised concerns with the Business Secretary (Rt Hon Kwasi Kwarteng MP) that this move may be a precursor to a stealth takeover, similar to the attempted board takeover of Imagination Technologies by Canyon Bridge in 2020, which was subsequently abandoned after we brought the case to the Government's attention.<sup>6</sup> We requested that the Business Secretary call the transaction in for review using his existing powers under the Enterprise Act 2002; however BEIS declined to intervene. In May 2021, we wrote to Mr Kwarteng to request that he explain the rationale for this decision.<sup>7</sup> In his response, the Secretary of State stated that it was for the Welsh Government to decide on matters of economic development.<sup>8</sup> As national security is not a devolved matter, and given the sensitive nature of the assets involved in this deal, we were not convinced by this argument and expressed this concern in a follow-up letter to the Secretary of State (see Annex A for all relevant Committee correspondence with the Government). The response we received stated that "the overwhelming majority of investments in the UK's economy raise no national security concerns, [and that] mergers and takeovers are primarily commercial matters for the parties involved." The Government had, therefore, assessed that NWF was one of these cases and did not raise any security concerns.

5. On 5 July 2021, Nexperia announced that it had acquired 100% of NWF, for a reported sum of £63 million. Prior to the formal announcement, a Government spokesperson informed CNBC that the Government were aware of the planned takeover but did not consider it appropriate to intervene.<sup>9</sup>

6. In our July 2021 report *Sovereignty for sale: The FCDO's role in protecting strategic British assets*, we concluded the following:

The takeover of Newport Wafer Fab by Nexperia represents the sale of one of the UK's prized assets to a strategic competitor, at a time when global chip shortages means that the products manufactured by NWF are of vital national importance. Failure to conduct a detailed assessment of this transaction under the NSI Act would indicate that the Government continues to hold an unrealistically optimistic understanding of the Chinese government's intentions and is prioritising short-term commercial

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5 Companies House, [Appointment of Mr Stefan Tilger as a director on 8 March 2021](#), 16 March 2021; Companies House, [Appointment of Mr Charles Smit as a director on 8 March 2021](#), 15 March 2021.

6 [Correspondence with RT HON Dominic Rabb](#), 30 April 2020.

7 [Correspondence with RT Hon Kwasi Kwarteng MP](#), 20-28 May 2021.

8 [Correspondence with RT Hon Kwasi Kwarteng MP](#), 20-28 May 2021.

9 Sam Shead, [Chip plant says it has not heard anything from UK government on national security probe](#), CNBC, 3 August 2021.



interests over the long-term security of our country. The case of NWF may yet serve to demonstrate that, despite the stated intentions of the NSI Bill, the Government has not yet learned the lessons of previous years.<sup>10</sup>

We therefore recommended that the Government call in the acquisition of Newport Wafer Fab by Nexperia for review and imposition of appropriate mitigating measures, as a matter of urgency.<sup>11</sup>

7. In response to our recommendation, in October 2021, the Government stated that:

The Government does not and will not prioritise short-term commercial interests over national security considerations. The Government is committed to the semiconductor cluster and the vital role it plays in the UK economy. While the Business Secretary will have powers to retrospectively ‘call in’ transactions when the Government’s investment screening regime under the National Security & Investment Act commences in January 2022, as the Prime Minister set out in his evidence to the Liaison Committee on 7 July, the National Security Adviser [Sir Stephen Lovegrove] is presently conducting a review into the acquisition of Newport Wafer Fab by Nexperia. The review will consider carefully the various aspects of this acquisition. It would be inappropriate to comment further before the conclusion of the National Security Adviser’s review.<sup>12</sup>

8. At the Liaison Committee evidence session on 7 July 2021, our Chair asked the Prime Minister directly about the Government’s decision not to intervene in the takeover of Newport Wafer Fab. The Prime Minister responded that:

We will look at it again... I have asked the National Security Adviser to look at it.<sup>13</sup>

## Follow-up to the Prime Minister’s assurances of a review into the Newport Wafer Fab acquisition

### *Correspondence with the Prime Minister*

9. The decision by the Prime Minister in July 2021 to request an investigation by the NSA into NWF was a surprising one. Mechanisms were already in place for Government screening of foreign investments: both through the NSI Act, which has enabled the Business Secretary to retroactively call transactions in for review since it came into force in 4 January; and the Enterprise Act 2002, which permits Government intervention on national security grounds, albeit with higher thresholds, and would have been applicable to the NWF case until the NSI Act came into force in January 2022. While we welcomed the decision to review the acquisition, Prime Ministerial intervention should not be required if the investment review system is functioning as it should.

10 Third report of session 2021–22, *Sovereignty for sale: the FCDO’s role in protecting strategic British assets*, 6 July 2021, [HC 197](#), para 21.

11 Third report of session 2021–22, *Sovereignty for sale: the FCDO’s role in protecting strategic British assets*, 6 July 2021, [HC 197](#), para 22

12 Fourth special report of session 2021–22, *Government response to the Committee’s Third Report: Sovereignty for sale: the FCDO’s role in protecting strategic British assets*, [HC 807](#), October 2021, p. 2.

13 Oral evidence taken before the Liaison Committee on 7 July 2021, HC (2021–22) [491](#), Qq46, 49

10. Following the Prime Minister's announcement of the NSA's review, we wrote to the Prime Minister to seek clarification on the rationale for this decision. This letter asked how the intervention process worked in the case of Newport Wafer Fab, and what new information had influenced the Prime Minister's decision to intervene after BEIS had previously declined to do so.

11. The Business Secretary responded on the Prime Minister's behalf. Mr Kwarteng stated that, pending the NSI Act coming into force in January 2022, consideration would be given under the Enterprise Act 2002 if relevant to the circumstances arising in the case of Newport Wafer Fab.<sup>14</sup> The NWF acquisition was not called in under the Enterprise Act 2002 nor, to our knowledge, has it been examined by the Investment Security Unit since the NSI Act came into force. The NSA's review under the Prime Minister's instruction therefore remains the only form of Government scrutiny that the deal has supposedly been subjected to.

### ***Correspondence with the National Security Adviser***

12. At the time of this report's publication, the outcome of the NSA's review has not been published. We have on multiple occasions requested an update on if and when the Government would publish the outcome of the review and have also sought reassurances that the review is in fact being conducted as the Prime Minister assured the Liaison Committee it would. Neither of these requests has been met to our satisfaction.

13. On 8 December 2021, we wrote to the NSA to request an update on how the review was progressing. We received the following response on 17 January 2022:

Thank you for your letter dated 8th December.

As you know, the Prime Minister asked me to review this case, and the government will not hesitate to take further action if needed. The Government is considering the case, and will continue to monitor the situation closely. We are unable to comment on the details of businesses' commercial transactions, or on national security assessments. We remain committed to the semiconductor sector, and the vital role it plays in the UK's economy. At this stage, given the sensitivities involved, it would be inappropriate for me to comment further.<sup>15</sup>

14. A copy of our letter to the NSA and his response is provided in Annex A of this report.

15. We appreciate the national security sensitivities of the NSA's work and would not seek to compromise the integrity of an ongoing investigation. However, we consider that our questions—which did not ask for any specific details on the internal review process—could reasonably be answered without raising security concerns. We therefore followed up on 5 January 2022 to request an appropriate level of detail on the review timelines and the anticipated completion date, as well as to ask for assurances that the review had indeed been conducted. We requested a response by 14 January.

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14 [Correspondence with Rt Hon Kwasi Kwarteng MP](#), 13 and 22 July 2021.

15 [Correspondence with Sir Stephen Lovegrove](#), 17 December 2021.

16. We received a belated response on 8 February and were surprised to find that the contents of the letter were almost an exact replica of the NSA's previous letter. Notably, the date referencing our previous letter had not even been changed, indicating that the text had simply been copy-pasted from the NSA's previous letter with a couple of minor edits (see Figures 8 and 10 in Annex A).

17. The National Security and Investment Act was designed to increase the transparency of the UK's investment review process. The Government's failure to examine the NWF deal through existing legal mechanisms, as well as its reluctance to reveal even the simplest of details about the NSA's review, is at odds with this stated desire for transparency and accountability. The NSA has been unable to provide us with any assurances that the review ordered by the Prime Minister has indeed taken place. In the absence of any other evidence, we conclude that the review has not happened.

### 3 Conclusion

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18. In the absence of any evidence to the contrary, we have no choice but to assume that the NSA review that the Prime Minister said he had initiated has not, in fact, been started. *In its response to this report, we ask that the Government set out the circumstances in which the National Security Adviser is engaged in reviews under the National Security and Investment or Enterprise Acts; the reasons why the Prime Minister asked the NSA to undertake a review of Newport Wafer Fab; why the NSA did not undertake such a review; and for an update on the nature of the continued monitoring by the Investment Security Unit.*

19. The Government has explicitly recognised the criticality of semiconductors to the UK's national security and wider global interests; likewise, the Chinese Government's ambitions to achieve self-sufficiency in semiconductors and the means by which it aims to achieve this are well documented. These factors, compounded by the current global semiconductor shortage, mean that the Government's apparent failure to take this matter seriously is likely to damage the UK's national interest.

# Conclusions and recommendations

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## Conclusion

1. In the absence of any evidence to the contrary, we have no choice but to assume that the NSA review that the Prime Minister said he had initiated has not, in fact, been started. *In its response to this report, we ask that the Government set out the circumstances in which the National Security Adviser is engaged in reviews under the National Security and Investment or Enterprise Acts; the reasons why the Prime Minister asked the NSA to undertake a review of Newport Wafer Fab; why the NSA did not undertake such a review; and for an update on the nature of the continued monitoring by the Investment Security Unit* (Paragraph 18)
2. The Government has explicitly recognised the criticality of semiconductors to the UK's national security and wider global interests; likewise, the Chinese Government's ambitions to achieve self-sufficiency in semiconductors and the means by which it aims to achieve this are well documented. These factors, compounded by the current global semiconductor shortage, mean that the Government's apparent failure to take this matter seriously is likely to damage the UK's national interest. (Paragraph 19)

# Annex: Correspondence with the Government on Newport Wafer Fab

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Figure 1: FAC to Business Secretary, 20 May 2021



**Foreign Affairs Committee**

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From the Chair  
Tom Tugendhat MP

20 May 2021

Rt Hon Kwasi Kwarteng MP  
Secretary of State  
Department for Business, Energy & Industrial Strategy  
1 Victoria Street London  
SW1H 0ET

Dear Secretary of State,

I am writing to urgently clarify why BEIS has advised that the forced takeover of Newport Wafer Fab by a Chinese-owned company will not be called in under the National Security and Investment Act.

Based in South Wales, Newport Wafer Fab (NWF) is the UK's leading 200mm silicon semiconductor technology development and processing facility. It is the UK's most advanced power semiconductor chip foundry and possesses strategically valuable advanced photonics processing capability. NWF lies at the heart of the South Wales Compound Semiconductor Cluster, which has benefited from significant government backing in recognition of its status as a major UK technology hub.

As a result of a commercial supply agreement issue, NWF is being targeted for a forced takeover by Nexperia, which is a 100% Chinese-owned electronics manufacturer. On 8 March 2021, two directors from Nexperia were appointed to the board of Newport Wafer Fab.

I understand that you have advised NWF that the completion of this transaction would not trigger a call-in under the National Security and Investment Act and that this is a matter for the Welsh government, even though competition law is not a devolved matter.

Semiconductors underpin almost every major industry of the 21st century. They are critical to our economic and national security. The ongoing semiconductor shortage has caused considerable global disruption, and the supply problem is particularly acute for 200mm wafers. As a result, we have seen security of semiconductor supply become a significant source of competition between countries and industries. The US is reviewing the resilience and dependence of its semiconductor supply chains as a national security imperative.


Newport Wafer Fab is one of the UK's few remaining semiconductor manufacturing facilities. Given the strategic criticality of semiconductors and the importance of the UK tech sector for self-sufficiency underpinning our industrial base and R&D capabilities, please could you advise why the government considers that this transaction does not constitute a matter of national security.

It would be helpful to receive a response as early as possible. I intend to place this letter and your response in the public domain.

Best wishes,

TOM TUGENDHAT

Figure 2: Business Secretary to FAC, 28 May 2021

  
Department for  
Business, Energy  
& Industrial Strategy

Tom Tugendhat MP  
Chair of Foreign Affairs Committee  
House of Commons  
London  
SW1A 0AA

Rt Hon Kwasi Kwarteng MP  
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Our ref:  
Your ref:

28 May 2021

Dear Tom,

**Foreign Affairs Committee questions on Newport Wafer Fab**

Thank you for your letter of 20 May on behalf of the Foreign Affairs Committee, regarding Newport Wafer Fab.


I recognise Newport Wafer Fab's value as a company and its contribution to consortia based at the South Wales Compound Semiconductor Cluster. The Government is committed to the semi-conductor sector and the vital role it plays in the UK's economy. The Welsh Government has also previously provided financial support to the company since economic development is devolved and therefore the responsibility of the Welsh Government.

While the Government has powers to intervene in matters where a public interest is engaged under the Enterprise Act 2002; and for reasons of possible risk to national security under the National Security and Investment Act 2021, once it commences; it is right that commercial transactions are primarily a matter for the parties involved.

The Government has been in close contact with Newport Wafer Fab but does not consider it appropriate to intervene at the current time. We will continue to monitor the situation closely and will not hesitate to use our powers should the situation change. As I am sure you will appreciate, I am not able to comment on the detail of commercial transactions, or of national security assessments.

I am copying this letter to the Chair of the BEIS Select Committee, Darren Jones MP.

Yours sincerely,



**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy and Industrial Strategy

Figure 3: FAC to Business Secretary, 18 June 2021



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From the Chair  
Tom Tugendhat MP

Rt Hon Kwasi Kwarteng MP  
Secretary of State for Business, Energy and Industrial Strategy  
1 Victoria St  
London  
SW1H 0ET

By Email

18 June 2021

Dear Secretary of State,

Following my previous letter in May and some key developments, I am writing to reaffirm my concerns that the takeover of Newport Wafer Fab (NWF) by Nexperia - a 100% owned subsidiary of the Chinese-based Wingtech Technology - will not be reviewed under the National Security and Investment Act.

Since installing two board members at NWF in March, Nexperia has now begun the due diligence process for the takeover of NWF. I must stress again that having the UK's leading 200mm silicon and semiconductor technology development and processing facility being taken over by a Chinese entity - in my view - represents a significant economic and national security concern.

With the world experiencing a shortage in semiconductor production and companies and countries competing over the limited supply that exists, it is crucial that the UK protects its strategically valuable manufacturing resources. I therefore urge you to reconsider your advice to NWF that the completion of the company's takeover by Nexperia would not trigger a call-in under the National Security and Investment Act. Could you also please clarify whether you believe this is primarily a matter for the Welsh Government when the administration in Cardiff does not have the devolved authority to consider the national security implications that a transaction of this nature to a foreign purchaser would raise?

Colleagues on the Foreign Affairs Committee have raised serious concern. They are not alone. It is clear that our allies see similar transactions as a national security question.


In March this year, Beijing-based Wise Road Capital agreed a deal to acquire South Korean semiconductor manufacturing company MagnaChip. On 4 June, MagnaChip announced that it would cooperate with investment reviews by the South Korean government and the US Commission on Foreign Investment (CFIUS). The South Korean government has categorised the company as a "national core technology", which means that its takeover by Wise Road Capital will be automatically subject to review. The US Department of Treasury also [requested](#) that parties involved in the transaction file notice with CFIUS.

Also in March, the Italian government [blocked](#) Chinese company Shenzhen Investment Holdings Co from buying a controlling stake in Milan-based semiconductor company, LPE, citing it as a sector of "strategic importance".

The two examples show that our allies are treating self-sufficiency in semiconductor supply chains as a national security imperative. Please could you advise what the government feels is different about the takeover of NWF, and why it is not reviewing a deal involving a British company critical to the economic security of a variety of manufacturing industries falling into the hands of an entity that was set up to serve the needs of a systemic competitor.



Figure 4: Business Secretary to FAC, 30 June 2021


  
 Department for  
 Business, Energy  
 & Industrial Strategy

Rt Hon Kwasi Kwarteng MP  
 Secretary of State  
 Department for Business,  
 Energy & Industrial Strategy  
 1 Victoria Street  
 London  
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Tom Tugendhat MP  
 Chair of Foreign Affairs Committee  
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30 June 2021

Dear Tom,

**Foreign Affairs Committee letter on Newport Wafer Fab**

Thank you for your letter of 18 June regarding the takeover of Newport Wafer Fab (NWF) by Nexperia.

As stated in my previous response on this matter, we recognise NWF's value as a company and its contribution to consortia based at the South Wales Compound Semiconductor Cluster. Economic development is, though, a devolved matter, so the economic future of the cluster is a matter for the Welsh Government. They have previously provided financial support to NWF, and any future decisions on economic support are a matter for them.

Conversely, as you know, national security is a reserved matter for the UK Government. The Government has powers under the Enterprise Act 2002 to intervene in acquisitions which raise national security concerns, and these powers were recently strengthened through the National Security and Investment Act 2021. These are important powers, but we are also clear that that the overwhelming majority of investments in the UK's economy raise no national security concerns, and that mergers and takeovers are primarily commercial matters for the parties involved.

The Government has been in contact with NWF and, as stated in my last letter, whilst I am not able to comment on the detail of commercial transactions, or of national security assessments, I want to give you my assurance that this issue has been considered thoroughly. We will continue to monitor the situation closely and will use our powers if appropriate.

In your letter you also refer to the actions of other governments in regard to takeovers of semiconductor companies by Chinese companies. Individual transactions within other countries are a matter for each nation, which will assess the potential national security implications in individual cases. For the UK, the decision whether to intervene in acquisitions and mergers on national security grounds are also dealt with on a case-by-case basis.

I am copying this letter to the Chair of the BEIS Select Committee, Darren Jones MP.

Figure 5: FAC to Prime Minister, 13 July 2021



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**From the Chair**  
Tom Tugendhat MP

Rt Hon Boris Johnson MP  
Prime Minister  
10 Downing Street  
London SW1A 2AA

By Email

13 July 2021

Dear Prime Minister,

I am writing on behalf of the Foreign Affairs Committee regarding your statement on 7 July that you have "asked the national security adviser to review" the recent acquisition of Newport Wafer Fab by Nexperia and the process that underpinned your decision.

As you will know, the National Security and Investment (NSI) Act, established the Investment Security Unit (ISU) as the body responsible for assessing investments for national security risks within the Department for Business, Energy and Industrial Strategy (BEIS) and provided the Secretary of State with the responsibility to intervene in such transactions where a national security concern arises. Prior to the Act coming into force, the public interest intervention notice (PIIN) provisions of the Enterprise Act 2002, giving the Secretary of State for BEIS the power to intervene and review a transaction on public security grounds, remain in force. As you will be aware, the proposed acquisition by Nvidia of ARM is presently being reviewed under a PIIN.

I previously raised concerns with the Secretary of State for BEIS when Nexperia installed two of its employees on the board of Newport Wafer Fab, fearing that this marked the beginning of a full takeover of the company. BEIS responded that it did not believe it appropriate to intervene at this time. Again, when it was reported that Nexperia planned to acquire 100 percent of Newport Wafer Fab, BEIS declined to intervene. I note that Nexperia was previously owned by Wise Road Capital, a China backed private equity fund, whose acquisition of Magnachip Semiconductor was the subject of a recent review by CFIUS. CFIUS has challenged that transaction and Wise Road Capital's attempts to reduce its US presence to remove CFIUS jurisdiction.

I welcomed your statement at the Liaison Committee that you have asked your National Security Adviser to examine this transaction. This decision, while welcome in itself, raises concerns about the process for reviewing and intervening in such transactions. Prime Ministerial intervention should not be required if our review system is working properly. The National Security and Investment Act 2021 established a screening process designed to protect UK businesses from precisely this type of acquisition; yet the case of Newport Wafer Fab provides a worrying indication of the Government's limited appetite for exercising its call-in power once the regime comes into force. Moreover, it has demonstrated that pending the coming into force of that legislation, the present legislation is not being utilised.

With this in mind, I would be grateful for answers to the following questions:

- Under what legal provisions was the acquisition of Newport Wafer Fab called in for review by the National Security Adviser?
- What was the process for alerting you to this acquisition, and what new information - that had not previously been available to or sought by the Secretary of State for BEIS - led to your decision to request a review of the transaction?
- Does the Secretary of State for BEIS intend to issue a PIIN in relation to this transaction and impose an immediate order preventing further integration or any further action which could compromise the Newport Wafer Fab business?

- Why was the National Security Adviser not previously involved in the assessment of the national security risks associated with this transaction?
- How will the National Security Adviser be involved in the assessment of future investments under the NSI Act?
- The Government has projected that the ISU will receive an estimated 1,000 - 1,830 notifications of relevant investments per annum under the NSI Act; under what circumstances will you intervene in such transactions?

In view the urgency of this matter, I would request a response to this letter by 20 July 2021. I intend to place your response in the public domain.

Best wishes,

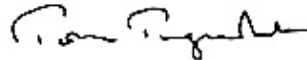

A handwritten signature in black ink, appearing to read "Tom Ridge".

Figure 6: Business Secretary on behalf of Prime Minister to FAC, 22 July 2021

  
Department for  
Business, Energy  
& Industrial Strategy  
Tom Tugendhat MP  
Chair of Foreign Affairs Committee  
House of Commons  
London  
SW1A 0AA

Department for Business,  
Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

T +44 (0) 20 7215 5000  
E [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

22 July 2021

Dear Tom,

Thank you for your letter of 13 July to the Prime Minister on behalf of the Foreign Affairs Committee about the acquisition of Newport Wafer Fab. The Prime Minister has asked me to respond on his behalf.

I want to reassure you that the Government has considered this issue thoroughly and will continue to monitor the situation closely. It remains the case that we will not hesitate to take further action should the situation change.

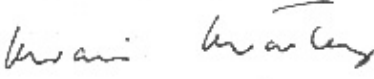
You will appreciate that I cannot comment on the Government's detailed internal processes for conducting national security assessments into foreign investment transactions. For this specific case, as the Prime Minister said in Parliament, he has asked the National Security Adviser to review this case in his capacity as the principal official adviser to the Prime Minister on national security matters.

At all times, the Government's consideration of national security matters includes whether it is appropriate to engage the relevant legislation. You rightly refer to the provisions of the National Security and Investment Act 2021 (the "NSIA") as providing a new framework for the scrutiny of acquisitions that may give rise to national security concerns. The relevant provisions of the NSIA (including the power to call in transactions) are not yet in force, so any formal decision to use those powers retrospectively could only be taken once they are commenced in full on 4 January 2022. Consideration will be given to the Enterprise Act 2002 if relevant to the circumstances arising in this matter.

Regarding your question on call-in under NSI: The impact assessment for the National Security and Investment Act estimates that of the 1000–1,800 notifications the Government expects to receive, approximately 70–95 are likely to be called in per year. To exercise the call-in power under the Act I must reasonably suspect that a trigger event has taken place or is in progress or contemplation and that the trigger event has given, or may give rise to, a risk to national security. As you know, the Act also grants me the power to call in acquisitions that took place after 12 November 2020 (the day after the Bill was introduced) but before the full commencement of the Act in the wider economy which were not notified but may raise national security concerns.

The National Security & Investment Act modernises the Government's powers to investigate and intervene in potentially hostile foreign direct investment, while advancing the UK's world-leading reputation as an attractive place to invest. I would like to thank you and the committee for your support in getting the Act through Parliament.

Yours sincerely,



**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy and Industrial Strategy

Figure 7: FAC to National Security Adviser, 8 December 2021



**Foreign Affairs Committee**

House of Commons · London · SW1A 0AA  
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**From the Chair**  
Tom Tugendhat MP

Sir Stephen Lovegrove  
National Security Advisor  
National Security Secretariat, Cabinet Office  
70 Whitehall  
London SW1A 2AS

By Email

8 December 2021

Dear Sir Stephen,

I am writing on behalf of the Committee to request an update on your review of the acquisition of Newport Wafer Fab by Nexperia, as requested by the Prime Minister in July 2021, and for an indication of the Government's intended next steps.

What progress has been so far on your investigation and when do you expect it to be completed? We would be grateful if you could confirm that the findings of the review will be published and will include details of the actions the Government intends to take to mitigate the national security risks presented by this deal.

It would be helpful to have a response to this letter by 16 December 2021. I intend to place your reply in the public domain.

Best wishes,

**TOM TUGENDHAT**

Figure 8: National Security Adviser to FAC, 17 December 2021



*From the National Security Adviser*

Tom Tugendhat,  
Chair, Foreign Affairs Committee,  
House of Commons, London,  
SW1A 0AA

17 December 2021

**NEWPORT WAFER FAB**

Dear Tom,

Thank you for your letter dated 8th December.

As you know, the Prime Minister asked me to review this case, and the government will not hesitate to take further action if needed. The Government is considering the case, and will continue to monitor the situation closely. We are unable to comment on the details of businesses' commercial transactions, or on national security assessments. We remain committed to the semiconductor sector, and the vital role it plays in the UK's economy.

At this stage, given the sensitivities involved, it would be inappropriate for me to comment further.

Yours,

A handwritten signature in blue ink that reads "Stephen Lovegrove".

**STEPHEN LOVEGROVE**

Figure 9: FAC to National Security Adviser, 5 January 2022



**Foreign Affairs Committee**

House of Commons · London · SW1A 0AA  
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www.parliament.uk · @CommonsForeign

**From the Chair**  
Tom Tugendhat MP

Sir Stephen Lovegrove  
National Security Advisor  
National Security Secretariat, Cabinet Office  
70 Whitehall  
London SW1A 2AS

By Email

5 January 2022

Dear Sir Stephen,

Thank you for your letter dated 17 December 2021 regarding your investigation into the Newport Wafer Fab acquisition by Nexperia.

As you know, the Prime Minister has committed to a review of this acquisition and informed me in evidence to the Liaison Committee that he had asked you to conduct an investigation in July 2021.

I fully understand that you are not able to comment on the details of this investigation and am not asking you to do so but it is important to establish the timescale and broad nature of the investigation. As you will be aware, the Committee has a continued interest in the national security implications of foreign investments in UK companies and, given the strategic importance of the UK's semiconductor industry, we are interested in the outcome of this investigation.

Without going into sensitive details, we would be grateful if you would outline the steps taken so far in this investigation. In particular, we would appreciate answers to the following questions:

- In your previous letter, you stated that the Government will continue to monitor the situation closely. Who within Government is ultimately responsible for this and to whom are you reporting the findings of your investigation?
- What consultation have you had with the Secretary of State for Business, Energy and Industrial Strategy and what is Minister Kwarteng's role in the Newport Wafer Fab investigation?
- On what date did you commence this investigation and what subsequent steps have you taken?
- What stage is the investigation currently at and when do you expect to publish the outcome?

I would request a response to this letter by 14 January 2021. I intend to place your response in the public domain.

Best wishes,

TOM TUGENDHAT

Figure 10: National Security Adviser to FAC, 9 February 2022

IN CONFIDENCE



THE CABINET OFFICE  
LONDON SW1A 2AS

*From the National Security Adviser*

Tom Tugendhat MP,  
Chair, Foreign Affairs Committee,  
House of Commons, London,  
SW1A 0AA

**9 February 2022**

Dear Tom,

Thank you for your letter dated 8th December.

As you know, the Prime Minister asked me to review this case, and the Government will not hesitate to take further action if needed. The Government is considering the case, and will continue to monitor the situation closely. As you will understand, we are unable to comment on the details of businesses' commercial transactions, or on national security assessments in further detail. We remain committed to the semiconductor sector, and the vital role it plays in the UK's economy.

I look forward to staying in touch.

Yours sincerely,

**STEPHEN LOVEGROVE**



# Formal minutes

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**Tuesday 29 March 2022**

**Members present:**

Tom Tugendhat, in the Chair

Alicia Kearns

Stewart Malcolm McDonald

Andrew Rosindell

Graham Stringer

Draft Report (*Sovereignty for sale: follow-up to the acquisition of Newport Wafer Fab*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Sixth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 19 April at 1.30 pm

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the publications page of the Committee's website.

### Session 2021-22

Number	Title	Reference
1st	In the room: the UK's role in multilateral diplomacy	HC 199
2nd	Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond	HC 198
3rd	Sovereignty for sale: the FCDO's role in protecting strategic British assets	HC 197
4th	The UK Government's Response to the Myanmar Crisis	HC 203
5th	Global Health, Global Britain	HC 200

### Session 2019-21

Number	Title	Reference
1st	Viral Immunity—The FCO's role in building a coalition against COVID-19	HC 239
2nd	Merging success: Bringing together the FCO and DFID	HC 525
3rd	Flying Home: The FCO's consular response to the COVID-19 pandemic	HC 643
4th	A brave new Britain? The future of the UK's international policy	HC 380
5th	No prosperity without justice: the UK's relationship with Iran	HC 415
6th	Striking the balance: Protecting national security through foreign investment legislation	HC 296
7th	A climate for ambition: Diplomatic preparations for COP26	HC 202